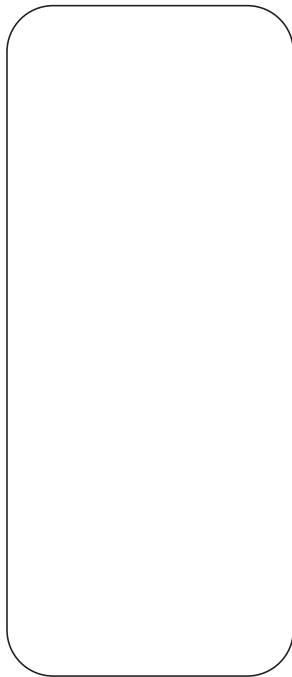




This booklet contains the 2001 PA Fiduciary Income Tax Forms & Instructions for Resident and Nonresident Estates or Trusts.

Table of Contents

FORMS ORDERING ...2
GENERAL INFORMATION ...3
GENERAL INSTRUCTIONS ...4
INSTRUCTIONS FOR COMPLETING THE PA-41 ...5
LINE INSTRUCTIONS FOR COMPLETING THE PA-41 ...6
MAILING INSTRUCTIONS ...8
SCHEDULE INSTRUCTIONS ...8
DISTRICT OFFICES ...10
SCHOOL CODES ...11-12



Who Must File a Fiduciary Income Tax Return, PA-41?

- The fiduciary of a resident estate or irrevocable trust that received taxable income during its taxable year.
The fiduciary of a nonresident estate or irrevocable trust that received taxable income allocable to Pennsylvania during its taxable year.

If two or more fiduciaries are acting jointly, one of the fiduciaries must file the return.

For grantor and revocable trusts, see the instructions on page 3.

Tax Rate

For calendar year 2001 and fiscal years beginning in 2001, the PA tax rate is 2.8 percent (0.028).

Identification Label

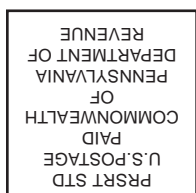
Within this booklet is an insert with a preprinted label for the estate or trust. Affix this label to the 2001 PA-41, if it is correct. Verify the Federal Employer Identification Number (EIN), or decedent's Social Security Number (SSN), if you do not have an EIN. Verify the name of the estate or trust and other information on the label. If the label is incorrect, do not use it. Print the correct information on the PA-41. Completely fill in the Estate or Trust Identification Change oval that tells the Department that the information entered is correct or new.

PA and Federal Schedules and Forms

Estates or trusts must classify income and losses according to PA law. A loss in one class of income may not reduce income in another class. Use PA schedules to report the correct PA amounts. Read the instructions for each income class. PA Schedules A, B, and D are in this booklet. Other PA schedules are available from the Department's Internet home page or one of the Forms Ordering services on page 2. CAUTION. If starting with the amounts from the Federal 1041 Schedules B, C, F and/or E, provide a detailed statement of the nature and amount of any adjustments made for PA purposes. IMPORTANT. Amounts from the Federal Form 1041 may not be correct for the PA-41. See the instructions for each class of income to determine when a federal schedule is appropriate. Read all instructions carefully before completing the PA-41.

Payment Voucher

This booklet includes a form PA-V for paying any PA Fiduciary Income Tax due. When filing, place the PA-V and check in the same envelope with the PA-41. The Department uses this form for automated payment processing. If any of the preprinted information on the PA-V is incorrect, do not use it. Follow the PA-V instructions. Do not use the PA-V for any other tax payment - discard it. If the estate or trust did not receive a preprinted Form PA-V from the Department, submit its payment with the PA-41. Please do not staple the check to the PA-41 or to the PA-V.





# General Information

## TYPES OF FILERS

**Estate.** For PA Personal Income Tax (PIT) purposes, an estate is the estate of a deceased individual. An estate for PA purposes **does not** include the estates of incompetents, bankrupts, or insolvents.

**Trust.** For PA PIT purposes, a trust includes a trust created by a will and all irrevocable express trusts taking effect during the lifetime or after the death of the settlor. A trust for PA purposes **does not** include:

- A revocable trust (see **Grantor Trusts and Revocable Trusts** below)
- A charitable trust (see **Charitable Trust** below)
- A resulting or constructive trust created by operation of law
- A trust created exclusively for the benefit of creditors
- A principal and agent relationship
- A business trust or real estate investment trust
- A trust created exclusively for the benefit of employees, their families, or appointees under an employee benefit plan
- A pension trust or profit-sharing trust
- A trust that is a common trust fund for Federal Income Tax purposes
- A trust:
  - (a) For which no part of the income or corpus may possibly benefit any PA Personal Income Tax taxpayer;
  - (b) For which no part of the property consists of property transferred to it (or another trust) by any PA Personal Income Tax taxpayer; and
  - (c) Created by an entity or enterprise other than a PA Personal Income Tax taxpayer.

**NOTE.** For purposes of (a), (b), and (c), a PA taxpayer means any individual, estate, trust, partnership, or PA S corporation.

**Charitable Trust.** A charitable trust is one operated exclusively for religious, charitable, scientific, literary, or educational purposes. A trust is a charitable trust only if all of the net earnings for the taxable year and remaining life of the trust are for distribution for such purposes. No part of the earnings of a charitable trust may benefit any private individual.

Federally qualified charitable remainder annuity trusts and charitable remainder unitrusts are not charitable trusts if, during the current taxable year:

- a) Any part of the trust's retained earnings may benefit any private individual in subsequent years; or
- b) Any part of the trust's income is required to be currently distributed or is distributed or credited to any private individual.

A charitable trust does not include trusts for the care, maintenance, or improvement of the burial lots of the settlor, testator, or his/her family.

Trusts for the general care, maintenance, or improvement of public or church cemeteries are charitable trusts.

**Grantor Trusts and Revocable Trusts.** PA law varies from federal law regarding grantor trusts. For federal purposes, under certain conditions, the grantor or person who has substantial dominion or control over the trust income or corpus, rather than the trust or its beneficiaries, reports the income.

These federal rules are inapplicable for PA Fiduciary Income Tax purposes. PA law imposes the Fiduciary Income Tax on grantor trusts according to the same PA Personal Income Tax rules that apply to irrevocable trusts, **unless the grantor trust is a revocable trust.** A revocable trust is:

- A tentative or Totten trust; or
- An express trust when the governing instrument reserves in the settlor:
  - (a) The power to revoke the trust as an entirety without the declaration of new uses or the consent of any other party; and
  - (b) The concurrent power to revest in himself or herself legal title to the corpus of the trust, without the consent of any other party.

A taxpayer (settlor) that established a revocable trust does not file a **PA-41** if under the governing instrument he/she retains authority to:

- (i) Completely revoke the trust without the declaration of new uses or the consent of any other party; and
- (ii) Revest in himself/herself the legal title to the corpus of the trust, without the consent of any other party.

In this case, the taxpayer reports the income/loss in the appropriate income class or classes on his/her PA-40.

**Estates, Irrevocable Trusts, and Beneficiaries.** The taxable income of an estate or irrevocable trust is the current income that it retains for future distribution or disbursement or currently applies to discharge, satisfy, or reduce any person's or its own obligations.

Each estate or irrevocable trust must classify and report all income, gain, and losses realized in the appropriate PA income classes. The estate or trust must also submit with its **PA-41** a **PA Schedule L** showing all of the distributions to each of its beneficiaries. The estate or trust must also provide each beneficiary with a **PA Schedule L**, showing the beneficiary's share of the 2001 PA income that the estate or trust under its governing instrument and applicable state law distributed (or must distribute), credited, or paid to each beneficiary. Each beneficiary reports the PA taxable income from the **PA Schedule L** when filing his/her/its PA tax return. The instructions for **PA Schedule L** begin on page 9.

An irrevocable trust (and its beneficiaries) and an estate (and its beneficiaries) are not subject to tax on income that is set aside exclusively for charitable purposes.

**Common Trust Funds and their Participants.** Income of a common trust fund maintained by a bank in its capacity as trust or administrator, is taxable to and reportable by each participant in the common trust fund as Estate or Trust Income, whether distributed or not.

**Members of Partnerships and PA S Corporations.** If the estate or trust is a member of a partnership or a shareholder in a PA S corporation, it must report its share of the income or loss, whether distributed or not, in the same class in which the partnership or PA S corporation received the income. Each resident estate or trust must submit the PA Schedule RK-1 from the partnership or PA S corporation. Each nonresident estate or trust must submit the PA Schedule NRK-1 from the partnership or PA S corporation.

**IMPORTANT.** Federal income rules relating to federally qualified subchapter S trusts and federally electing small business trusts do not apply for PA purposes. PA law taxes qualified subchapter S trusts and federally electing small business trusts according to the same rules that apply to other irrevocable trusts.

**Resident and Nonresident Estate or Trust.** A resident trust is:

- a) A trust created by the will of a decedent who at the time of death was a PA resident individual; or
- b) A trust consisting of property transferred to a trust by a person who at the time of such transfer was a PA resident; or
- c) A trust created by a person who at the time of such creation was a PA resident.

A resident estate is the estate created by an individual who at the time of his or her death was a PA resident.

A nonresident estate or a nonresident trust is any estate or irrevocable trust that is not a PA resident estate or resident trust. An inter vivos trust is also a nonresident if all of the following conditions are met:

- The assets of the trust currently consist in no part of real property or tangible personal property located within the Commonwealth, or intangible personal property, the documents, certificates or other instruments evidencing which are physically located, or have a business situs, within the Commonwealth.
- The trust is taxable as a resident elsewhere for the period in question.
- The trust has no resident fiduciary, beneficiary, or remainderman.
- All administration, accounting, bookkeeping, and sales and purchases currently take place outside Pennsylvania, and
- The settlor is no longer a resident of Pennsylvania or died a nonresident of Pennsylvania.
- The settlor is not a resident at the times when during his or her lifetime:
  - a) An application is made to a court concerning the trust; or
  - b) He or she or another might have exercised a reserved power of revocation.
- A Pennsylvania court having jurisdiction of the trust has directed that the situs of the trust be changed to a place outside the Commonwealth, and the courts of such place have assumed jurisdiction to adjudicate disputes involving the trust or order accountings to protect the trust corpus, beneficiaries, and remaindermen.

**PA Resident Estates or Trusts.** Pennsylvania taxes the income of a resident estate or trust from sources both inside and outside Pennsylvania. A resident estate or trust may claim a Resident Credit, if it is subject to and pays income tax to another state or country on income taxable, in the same taxable year, to both

Pennsylvania and the other state or country. This credit cannot exceed the amount of PA tax the estate or trust owes. To claim the Resident Credit, the estate or trust must submit a complete **PA Schedule G**. Obtain this schedule from one of the **Forms Ordering Services** on page 2.

**Nonresident Estates or Trusts or Nonresident Beneficiaries.** PA law imposes the Fiduciary Income Tax on the income of a nonresident estate or trust from Pennsylvania sources. A nonresident estate or trust must ignore items of income, loss, cost, expense, and liability that are not directly related to Pennsylvania when computing its PA taxable income.

The taxable income of a nonresident beneficiary from a resident or nonresident estate or irrevocable trust is the taxable income received by the estate or trust for its taxable year that:

- Under the governing instrument and applicable state law, the estate or trust distributed, or must distribute currently, credited, or paid to the beneficiary; and
- Is from PA sources.

To obtain information on allocating and apportioning income for PA purposes, request a partnership booklet (**PA-651**) from the Department.

**Taxable Income.** Estates or trusts must report taxable income, or loss, realized from the following six classes:

- Interest Income (see page 6)
- Dividend Income (see page 6)
- Net Income or Loss from the Operation of a Business, Profession, or Farm (see page 6)
- Net Gain or Loss from the Sale, Exchange, or Disposition of Property (see page 7)
- Net Income or Loss from Rents, Royalties, Patents, or Copyrights (see page 7)
- Estate or Trust Income (see page 7)

Special rules apply to each of the following:

- Net gains, or income or loss, derived through PA S corporations, partnerships, and other estates or trusts
- Net income or loss from the operation of a business, profession, or farm
- Net gain or loss from the disposition of tangible property
- Net gain or loss from the disposition of intangible personal property
- Net income or loss from the ownership of property

**Costs and Expenses.** A fiduciary may deduct only the ordinary, necessary and reasonable costs and expenses directly incurred in realizing income or loss from:

- The operation of a business or farm;
- The sale, exchange, or other disposition of property; and
- The receipt of rental or royalty income.

Such expenses are deductible in determining the amount of net profits, net gains and net rental, royalty, patent, and copyright income.

A fiduciary may not deduct:

- Expenses and fees related to administering the estate or trust
- Costs and expenses attributable to earning or receiving interest and dividend income
- Costs and expenses attributable to receiving income from other estates or trusts
- Inheritance, succession, estate, or gift taxes or taxes based on income
- Funeral expenses
- Expenses for preservation or maintenance of non-income producing property
- Expenses related to exempt income
- Satisfaction of personal debts of the decedent

**Gains or Losses.** Estates or trusts cannot offset income in one PA income class with a loss in any other PA income class. Estates or trusts cannot carry income or loss back or forward to other tax years. Attach the appropriate completed schedule for the income, gain, or loss reported. **IMPORTANT.** If the estate or trust realized a net loss in an income class, enter the amount of the loss on the appropriate line on the PA-41 and completely fill in the oval next to that line.

**Tax Year.** For Pennsylvania, an estate or trust must use its federal taxable year.

## GENERAL INSTRUCTIONS FOR PA-41

**Governing Instrument.** The Department does not require a copy of the governing instrument with the **PA-41**, but the estate or trust must make it available upon request.

**Special Rules.** Determine all of the following under the terms of the governing instrument and the laws applicable to the administration of estates or trusts:

- Whether an item of receipt or expense is allocable to corpus or income; **and**
- What part, if any, of the undistributed net income of a trust (for administrative purposes) is required to be added to corpus; **and**
- Whether property distributed in kind is distributed as a gift or bequest of specific property; **and**
- Whether an amount is properly paid out of corpus as a gift or bequest of a specific amount of money; **and**
- Whether payment of a distribution is directed without reference to the existence or absence of income; **and**
- Whether the estate or trust must distribute an amount, and whether it pays such amount out of income or corpus, or it may pay such amount out of either income or corpus.

The specific provisions of the governing instrument control when it specifically provides the source from which amounts are to be permanently set aside or used. In determining whether an amount is set aside or used for a purpose includes particular items of income received by an estate or trust. In the absence of specific provisions in the governing instrument, the amount shall be deemed to consist of the same proportion of each class of the items of income of the estate or trust as the total of each class bears to the total of all classes.

In determining whether income derived from a partnership, PA S corporation, estate, or trust is required to be distributed currently, or is distributed or credited to a beneficiary, the excess of the PA taxable income derived through such partnership, PA S corporation, estate, or trust over the amount of distributions or withdrawals therefrom shall be considered to be income that is required to be retained, accumulated, or set aside.

Amounts disbursed to pay taxes measured by the income for another taxable period may not be treated as set aside from current income. Amounts disbursed to pay nondeductible trustee commissions and legal and accounting expenses and other current expenses that do not reduce the amount of taxable or nontaxable income or gain of the trust for the taxable year shall be treated as nontaxable income or gain for the taxable year which is required to be accumulated, retained, or set aside, if total distributions for the year do not equal or exceed the excess of total taxable and nontaxable income received by the trust for the taxable year over total taxable and nontaxable income received by the trust or estate for the taxable year which is required to be accumulated, retained, or set aside for future distribution. If total distributions for the year do equal or exceed the excess of total taxable and nontaxable income received by the trust for the taxable year over total taxable and nontaxable income received by the trust or estate for the taxable year, which is required to be accumulated, retained or set aside for future distribution, the amounts shall be treated as distributions by the trust or estate and beneficiaries.

If a trust consists in part of intangible investment property such as stock or securities or tangible investment property such as real estate located outside Pennsylvania transferred to it by a person who at the time of the transfer was a nonresident, the income or gains realized from such property shall be excludible from tax by the trust.

**When to File?** The filing due date for a calendar year estate or trust is midnight, Monday, April 15, 2002. The U.S. Postal Service postmark date on the envelope is proof of timely filing. The due date for a fiscal year estate or trust is midnight of the 15th day of the fourth month following the close of the fiscal year. The **PA-41** for a short year is due the 15th day of the fourth month following the close of the short year.

**Extension of Time to File.** Pennsylvania accepts the federal extension of time to file the Form 1041. Otherwise, request a PA extension by submitting form **REV-276, Application for Extension of Time to File**. Obtain this schedule from one of the **Form Ordering Services** on page 2. Follow the instructions on the PA extension form. Fill in the Extension Enclosed oval on the **PA-41**, and include a copy of the federal or PA extension with the **PA-41**.

**IMPORTANT.** An extension of time to file the **PA-41** does not extend the time to pay the Fiduciary Income Tax due. An extension cannot exceed six months, unless the fiduciary is outside the United States. If the fiduciary expects the estate or trust to owe tax, the fiduciary must submit the extension form (and pay the tax due) in sufficient time before the due date so the

Department may consider and act upon it. Include the extension payment on Line 11 of the **PA-41**.

The Department will not send a letter granting the extension, but will write if there is a question concerning the request.

The Department will assess an underpayment penalty if:

- The estate or trust does not pay at least 90% of the 2001 tax due by April 15, 2002; and
- The estate or trust does not pay the remaining tax with a timely filed **PA-41**.

The Department will charge interest on the amount not paid by April 15, 2002.

**2002 PA Estimated Fiduciary Income Tax Requirements.** If the estate or trust expects more than \$8,000 of PA taxable income in 2002, the fiduciary must file a declaration of PA Estimated Tax and make installment payments.

**CAUTION.** *If the estate or trust paid \$224 or more on the 2001 PA tax return and expects the same income in 2002, it must make estimated tax payments. The Department sends estimated tax forms to estates and trusts that paid 2001 estimated taxes. If the estate or trust does not receive its 2002 estimated tax forms, contact the nearest Department district office. If making estimated tax payments for the first time, request form PA-40ESR (F/C), instructions REV-413F, and worksheet REV-414F.*

**Penalties for Not Filing or Filing a Late Return.** If the estate or trust does not file its **PA-41** timely, PA law imposes a penalty, unless the estate or trust can show reasonable cause for late filing. The penalty is 5 percent for each month or fraction of a month that the **PA-41** is late. The maximum penalty is 25 percent. The minimum penalty is \$5. Any estate or trust that attempts to evade or defeat their PA Fiduciary Income Tax responsibility is subject to prosecution.

**Interest for Nonpayment or Late Payment of the Tax.** If the estate or trust does not pay its tax by the due date, PA law imposes interest from the due date to the date of payment. The annual interest rate is the rate established by the U.S. Secretary of the Treasury that is in effect on January 1 of each calendar year.

**Other Penalties.** PA law also imposes:

- a) A 5 percent underpayment penalty, if the estate or trust does not pay the full amount of its tax due by the original due date.
- b) An additional penalty of 25 percent of the tax due on the unreported income, if the estate or trust does not report an amount of taxable income that is more than 25 percent of the taxable income that it reported on the **PA-41**.

The Department will charge these penalties if the underpayment of tax is due to negligence or intentional disregard of rules and regulations, but without intent to defraud. **IMPORTANT.** The Department may assess both late filing and underpayment penalties if the fiduciary files the **PA-41** after the due date, or extended due date, and does not pay the tax due by the original due date.

PA law also may impose:

- a) An addition of 50 percent of the underpayment to the tax due, if any part of the underpayment is due to fraud.
- b) A \$500 penalty if the estate or trust:
  - Files a return that does not contain sufficient information on which to determine its correct liability; and
  - Files a return that contains information that indicates the liability is significantly incorrect; and
  - Files a return frivolously, or in a manner to delay or impede the administration of the tax law.
- c) A penalty of \$50 for each instance when any person required to furnish an information return either furnishes a false or fraudulent return, or fails to furnish an information return.

**Filing Amended Returns.** It is not necessary to attach a complete copy of the original **PA-41**. Use a **PA-41** from the same tax year the fiduciary must amend.

**EXAMPLE.** To amend for 2000, use another 2000 **PA-41**.

Fill in the Amended oval on the **PA-41** and follow these steps:

1. Enter the amounts from the original **PA-41** that are not changing.
2. Enter the amended amounts, and submit an explanation/reason for amending the original **PA-41** and the forms or schedules supporting the amended amounts.
3. Calculate the amended Net PA Taxable Income.
4. Calculate the PA Tax Liability. If the estate or trust received a refund on its original **PA-41**, add that amount to the PA Tax Liability.

5. Calculate the Total Payments and Credits. If the estate or trust paid tax with its original **PA-41**, add that payment to the Total Credits and Payments.

6. Calculate the amended Tax Due or Overpayment. If an overpayment, be sure to complete Lines 17 and/or 18.

The Department will take the original refund or payment into account when reviewing the amended **PA-41**. Be sure to sign the amended return. Mail the amended return, with all explanations and attachments, to:

**PA Department of Revenue  
Bureau of Individual Taxes  
Dept. 280502  
Harrisburg, PA 17128-0502**

**Overpaid PA Fiduciary Income Tax.** If the estate or trust overreported its income, or did not claim allowable credits on its original **PA-41**, the fiduciary must file an amended **PA-41** within three years of the original due date or the extended due date. **IMPORTANT.** Do not file an amended **PA-41** after the Department issues an assessment, if the amendment relates to the same taxable year and assessed item of income, gain, deduction, or loss. In this instance, either file a timely petition for reassessment, or pay the assessment and file a timely refund petition for a refund. To order the **Petition, REV-65**, see the **Forms Ordering Services** on page 2.

**Underreported Income.** If, at any time after filing the **PA-41**, the estate or trust discovers that it underreported the tax, or erroneously claimed unallowable credits or deductions as a result of incomplete information, the fiduciary must correct the error within 30 days by filing an amended **PA-41**. The estate or trust must pay the additional tax, plus applicable penalty and interest.

**Records Must Be Maintained.** All amounts reported on the **PA-41** and accompanying schedules are subject to verification and audit by the Department. The fiduciary must retain books and records for at least four years after filing to verify any information reported on the **PA-41**.

### *Instructions for completing the PA-41*

**Identification Number.** Enter the EIN of the estate or trust on all schedules. If you did not receive an EIN from the federal government, enter the Social Security Number of the decedent.

**Name and Address.** If you do not have a preprinted label, print the name of the estate or trust, as described below, the name and the title of the fiduciary, the fiduciary's complete address, and daytime telephone number. Print the name and EIN of the estate or trust on each schedule attached to the **PA-41**.

Please enter the name of the estate or trust in this form:

For an estate . . . Taxpayer's last name, first name and middle initial

**EXAMPLE . . . . TAXPAYER, JOHN T. ESTATE OF**

For a trust . . . . Taxpayer's last name, first name and middle initial

**EXAMPLE . . . . TAXPAYER, MARY S. TRUST**

**School District Code.** Complete the school district code. The school district names and codes are on pages 11 and 12. For estates and testamentary trusts, use the school district code where the decedent lived immediately prior to death. For inter vivos trusts, use the school district code where the settlor of the trust resided on the date he/she created the trust. Enter 99999, if the decedent or settlor was not a PA resident. **CAUTION.** *Do not use the school district of the fiduciary administering the estate or trust.*

**EXAMPLE.** A resident of Erie creates a trust. The fiduciary is a bank in Pittsburgh. The correct school district code on the **PA-41** is Erie City, not Pittsburgh.

**Estate or Trust Identification Change.** Fill in this oval if any of the identification or filing information is different from the 2000 **PA-41**, or if the estate or trust did not file a 2000 **PA-41**. **Destroy the label if it is incorrect.**

**Fiscal Year or Short Year.** If this return is for a period other than a calendar year, including a short year, fill in this oval. Enter the beginning and closing dates of the taxable year.

**Type Filer.** Fill in only one oval. Enter the name of the other state or country, if a nonresident estate or trust.

**Final Return.** Fill in this oval if this is the final **PA-41** that the estate or trust must file. Enter the ending date. Record any income and distributions from the begin-

ning of the year to the date of closing. Submit a statement explaining the reason for the final return, such as termination or transfer of jurisdiction.

To facilitate the settlement and distribution of a decedent's estate, the Department accepts the final return of the estate as a request for final determination of Personal Income Tax liability. Upon payment of the tax, interest and penalty liability determined to be due, the fiduciary shall be discharged from personal liability except upon proof of fraud, misrepresentation, or nondisclosure of a material fact.

**Do You Want a 2002 PA-41 Booklet?** If the fiduciary or tax professional does not use the forms provided by the Department, fill in this oval. The Department will not mail a 2002 PA-41 booklet to the estate or trust, but will mail a label and a preprinted **PA-V**, Payment Voucher.

## LINE INSTRUCTIONS FOR PA-41

**Line 1. Interest Income.** The **PA Schedule A** instructions are on page 8. Report interest received during the taxable year from bank deposits, bonds, certificates of deposit, interest-bearing checking accounts, tax refunds, or other obligations, etc. **CAUTION.** Report dividends paid by savings and loan associations, mutual savings banks, cooperative banks, and credit unions on deposits, or withdrawals from accounts, as interest. Also include in interest income any interest from an installment sale that PA law does not permit, such as an installment sale of intangible property.

Generally, Forms 1099 issued by financial institutions will indicate the amount of interest from such institutions. Interest from GNMA and FNMA certificates is PA taxable income. Interest received from obligations of other states and countries is PA taxable income. Also include interest from **PA Schedules RK-1**. If the estate or trust received only a **Federal Schedule K-1**, classify interest income according to PA rules.

**PA Tax Exempt Interest.** Do not report interest received from direct obligations of the Commonwealth of Pennsylvania, or its political subdivisions. Do not report interest from direct obligations of the United States, such as Series E, F, G, H, I, and EE bonds, federal treasury bills and notes, etc. Interest received from obligations of federal instrumentalities is not taxable. Request form **REV-1643, Tax Exempt Obligations for PA Personal Income Tax Purposes**, for a complete list of exempt obligations.

**Distributions from Money Market Funds, and Mutual Funds, and Other Investment Companies.** Estates or trusts must report distributions from the earnings and profits of money market or mutual funds, investment trusts, and investment companies as dividend income on Line 2, not as interest income.

**Forfeited Interest Penalty.** Estates or trusts may use forfeited interest penalty, incurred for premature redemption or withdrawal of a time savings account or certificate of deposit, to offset only the interest income from that account or certificate. It may not offset other interest income. If the total penalty exceeds the interest on an account or certificate, the excess is a loss on **PA Schedule D**.

**Interest Received by Nonresident Estates or Trusts.** Generally, interest received by nonresident estates or trusts is not taxable even when paid by a PA bank. Interest is taxable to a nonresident only if derived from the ownership or disposition of real or personal tangible property in PA, or received in connection with doing business in PA.

**Line 2. Dividend Income.** The **PA Schedule B** instructions are on page 8. Include all dividend income received during the taxable year on Line 2. A resident estate or trust that is a shareholder of a corporation, other than a PA S corporation, must report as taxable dividend income distributions by a business corporation or business association out of its earnings and profits, without regard to the manner in which the business derived the income. For PA purposes, a business association is an unincorporated business enterprise, organized in a manner similar to a business corporation. Business corporations or business associations include, but are not limited to, business trusts, federally qualified real estate investment companies, mutual funds and other federally regulated investment companies. **CAUTION.** Report capital gain distributions from mutual funds and regulated investment companies as dividend income for PA purposes, even though reported on Schedule D for federal purposes.

**IMPORTANT.** If the estate or trust is a shareholder in a subchapter S corporation in another state that is not also a PA S corporation, report only the cash or property actually received as dividend income on the **PA-41**. A corporation that elects S status in another state, but does not elect PA S status in Pennsylvania, is a C corporation for PA purposes. Do not report the amount of distributable income and do not claim a credit for any tax paid to the other state on this income.

**Mutual Funds, Money Market Funds, and Investment Trusts.** Distributions, including dividends in the form of capital gains, received from mutual funds and money market funds, real estate investment trusts, and other investment trusts, except for ordinary dividends from exempt PA obligations and exempt federal obligations, are fully taxable as dividends unless they are a return of capital.

### Dividend Income Does Not Include:

- Dividends distributed by a corporation to its stockholders in the form of stock, when the distribution is not taxable as income for federal purposes. If the stock distribution is not taxable, divide the adjusted basis of the old stock between the old and new stock.
- Distributions designated as a return of capital by a utility company or other corporation. Such distributions serve to reduce the basis of stock in the corporation. If such distributions reduce the basis of the stock to zero, any further distributions are taxable as gain from the sale or disposition of property. See the instructions for **Return of Capital Distributions** on page 7.
- Dividends paid by a mutual fund or a registered investment company and designated as being PA Exempt-Interest Dividends in the written notice issued to the shareholder. Exclude that portion of total dividends designated by the fund or company as being from exempt PA obligations and exempt federal obligations. The amount designated as capital gains is fully taxable as dividend income for PA purposes. Report only the difference remaining after subtracting the amount of exempt dividends from the total dividends.

**Dividends Received by Nonresident Estates or Trusts.** Generally, dividends received by nonresident estates or trusts are **not taxable** even when paid by a PA corporation. Dividends are taxable to a nonresident only if received in connection with doing business in PA.

**Line 3. Net Income or Loss from the Operation of a Business, Profession, or Farm.** Complete and file a separate **PA Schedule C** or **PA Schedule F** for each business or farm that the estate or trust operates. If not filing a separate PA business schedule, submit **PA Schedule C-F**. This schedule starts with the federal amounts and allows the adjustments (such as expensing Sales Tax on acquired property, charitable contributions, 100 percent of travel and entertainment expenses, etc.) necessary to determine PA taxable income or loss.

If the estate or trust is a partner or a PA S shareholder, submit its **PA Schedule RK-1** or **NRK-1**. If the estate or trust receives only a **Federal Schedule K-1**, classify the income according to PA rules.

**What is a Business or Profession?** A business or profession has certain features, and must meet **each** of the following:

1. Market its products, goods, and/or services to its customers in a marketplace; **and**
2. Regularly and continuously conduct its commercial activities; **and**
3. Does not limit or restrict its commercial activities to certain related or unrelated customers.

Report all net income or loss on the **PA-41**. If the estate or trust realizes a net loss, enter that amount on Line 3 and fill in the oval next to the line. Do not use brackets or a minus sign.

**Income Not Derived in the Ordinary Course of Business.** Unless the estate or trust realizes the following kinds of income in the ordinary course of operating its business, profession, or farm, the estate or trust reports these kinds of income in other PA income classes on its **PA-41**. The estate or trust may not deduct expenses attributable to these classes of income on its **PA Schedule C, F, or C-F**. Follow these rules for reporting other income:

- Report the gain or loss from the sale of an asset used in business, other than inventory or stock-in-trade, on **PA Schedule D**.
- Report interest income on **PA Schedule A**.
- Report dividend income on **PA Schedule B**.
- Report rent and royalty income on **PA Schedule E**.

**Allowable Business Expenses.** Allowable expenses are those ordinary, necessary, and reasonable expenses currently paid or incurred during the taxable year that are directly related to and necessary for operating a business, profession, or farm. Social Security and Unemployment Compensation Taxes paid for employees are allowable expenses.

- Do not deduct any Federal Income Tax, estate, inheritance, legacy, succession and gift taxes, or assessments for any improvements or betterment.
- Do not deduct taxes on dwellings or household property and other taxes not related to the business.

**ACRS, Federal Accelerated Cost Recovery System.** PA accepts as allowable depreciation expenses the deductions allowable under ACRS, including the IRC Section 179 additional first-year depreciation allowance for small businesses.

**Line 4. Net Gain or Loss from the Sale, Exchange, or Disposition of Property.** The instructions for **PA Schedule D** begin on page 8. You must report each sale, exchange, or disposition of any kind of property, including real estate, tangible personal property, and intangible property such as stock or ownership interests in business enterprises, bonds, annuities, and contract of insurance with refundable accumulated reserves payable upon lapse or surrender. However, if a sale, including an installment sale is a routine transaction in the ordinary course of operating a business, profession, or farm, include the gain or loss, and any interest realized in determining net business income or loss.

Report gain on the disposition of property in the taxable year in which the amount realized from the conversion of the property into cash or other property exceeds the adjusted basis of such property.

You recognize a loss only:

- With respect to transactions entered into for profit.
- In the taxable year in which it closes and completes the transaction by some identifiable event that fixes the amount of such loss, so that there is no possibility of any eventual recovery.

**Installment Sales.** Obtain and complete **PA Schedule D-1 (REV-1689)**. Enter on Line 3 of **PA Schedule D**, the total realized from **PA Schedule D-1**. The estate or trust must elect the installment method if it receives at least one payment in any taxable year after the taxable year of the sales transaction. The estate or trust must submit **PA Schedule D-1**.

**IMPORTANT.** The estate or trust may not use the installment method for:

- Reporting gains from the sale of intangible personal property, such as stocks, bonds, partnership interests, etc.; or
- Transactions where the object is the lending of money or the rendering of services.

Once the estate or trust makes the election to report on an installment basis, it may not change its method of reporting in subsequent years.

Follow the instructions for **PA Schedule D-1**. Submit **PA Schedule D-1** with the **PA Schedule D**. **IMPORTANT.** Report interest incidental to an installment sale, directly from the sale contract or agreement, on **PA Schedule D-1**.

**Repossession of Property.** If an estate or trust repossesses property from an installment sale because the buyer defaulted, the estate or trust must adjust the basis of the recovered property by the amount of any previously reported gain. The estate or trust may not amend its tax return for the taxable year of the original installment sale.

**CAUTION.** Report capital gain distributions from mutual funds and regulated investment companies as dividend income for PA purposes, even though reported on Schedule D for federal purposes.

**Federal and PA Obligations.** As a result of legislation enacted in 1993, PA law treats net gains and losses from the sale, exchange, or disposition of the following obligations differently depending on the original issue date of these obligations:

1. Direct obligations of the United States, such as Series E, F, G, H, I, and EE bonds, federal treasury bills, and treasury notes;
2. Direct obligations of certain agencies, instrumentalities, or territories of the United States;
3. Direct obligations of the Commonwealth of Pennsylvania and its political subdivisions.

If the original issue date was before February 1, 1994:

- The net gain is not subject to PA tax; **and**
- A loss may not offset other gains; **and**
- Expenses incurred may not reduce other taxable gains.

If the original issue date was on or after February 1, 1994:

- The net gains are PA taxable income; **and**
- Losses may offset other PA taxable gains, but not income in other PA income classes.

**CAUTION.** The sale of a mutual fund or a fixed investment portfolio-trust is not exempt for PA purposes.

**Obligations of Other States.** Net gain from the disposition of obligations of other states or countries is always PA taxable income.

**Return of Capital Distributions.** A return of capital distribution is any distribution that a business corporation does not make out of its earnings and profits. As a shareholder, an estate or trust must report as taxable gain, in the taxable year received or credited, the excess of the fair market value of any return of capital distribution over the adjusted basis of its stock. The basis of stock or

shares decreases, but not below zero, by any distribution that is not taxable as a dividend on Line 2 of the PA-41.

**Property Acquired Before June 1, 1971.** Obtain and complete **PA Schedule D-71 (REV-1742)**. Report on Line 5 of **PA Schedule D**, the total net gain or loss, from **PA Schedule D-71**.

**Partnership or PA S Corporation Income.** If the estate or trust is a partner or PA S shareholder, it will receive a **PA Schedule RK-1** or **NRK-1** showing its share of any net gain or loss realized by the sale, exchange, or disposition of property. Submit all such schedules to support the amount reported on Line 6 of **PA Schedule D**. If the estate or trust is a partner and receives a **Federal Schedule K-1**, you must classify the income and losses from the **Federal Schedule K-1**, according to PA rules.

**Disposition of Principal Residence.** A sale or other disposition of a decedent's principal residence will not qualify for the principal residence exclusion unless the disposition is pursuant to an executory contract made prior to death by an individual that met the ownership and use requirements. Include the sale of a decedent's residence on Line 1 of **PA Schedule D**.

**Line 5. Net Income or Loss from Rents, Royalties, Patents, or Copyrights.** The estate or trust must complete and file a separate **PA Schedule E** to report its income or loss. **PA Schedule E** and its instructions are in the 2001 **PA-40** booklet.

Estates or trusts receive rental income for the use of its real or tangible property. Estates or trusts receive royalty income upon the extraction of coal, oil, gas, or other minerals, or for the use of a patent or copyright. The fiduciary may submit a **Federal Schedule E** with a written explanation for any required and optional adjustments for PA purposes. If the estate or trust is a partner or a PA S shareholder, submit the **PA Schedule RK-1** or **NRK-1**. If the estate or trust receives only a **Federal Schedule K-1**, classify the income according to PA rules.

**Net Rental Income.** Whether an estate or trust reports income or loss as rents on Line 5, or as business income on Line 3, depends on whether the estate or trust provides the lessee with significant services. Payments received solely for the use or occupancy of an entire private residence, or for living quarters in a duplex, multiple housing unit, or office space are usually rents.

Rents do not include payments for the use or occupancy of rooms or other space if the estate or trust also provides significant services to the lessee. Generally, significant services to a lessee are primarily for the lessee's convenience and not customarily provided in connection with the rental of rooms or other space for occupancy only.

**EXAMPLE.** Providing housekeeping service is a significant service. Furnishing heat and light, cleaning public entrances, exits, elevators, stairways and lobbies, and collecting trash are not significant services. Hotels, boarding houses, and apartment houses that provide hotel-like services, tourist homes, motor courts, or motels provide significant services with rooms. Payments for parking cars usually are not rents. Payments for warehousing of goods or the use of personal property are not rents, if the lessor provides significant services in connection with the payments.

**Lease with Option to Buy.** A lease with an option to buy may be a purchase contract and, therefore, the payments received are for the purchase price and are not rental income. Report these sales on a **PA Schedule D**.

**Selling Mineral Interests, Patents, or Copyrights.** If the estate or trust gives up all rights to mineral interests, patents, or copyrights, the amounts received are payments for the sale or exchange of property. Report such sales on a **PA Schedule D**.

**Line 6. Estate or Trust Income.** Currently paid, distributable, or credited income from another estate or trust is PA taxable income on the **PA-41**. This estate or trust will receive a **PA Schedule L** from the other estate or trust. Cash and property received from another estate or trust by gift, bequest, devise, or inheritance is not taxable.

Report the PA taxable income from other estates or trusts on **PA Schedule J**. If the other estate or trust provides a **Federal Schedule K-1**, report the total distributed and distributable income, but not losses, on **PA Schedule J**.

If a resident estate or trust, enter the amount reported as your Resident Taxable Income on the **PA Schedule L** provided by the other estate or trust on Line 6. If a nonresident estate or trust, enter the amount reported as your Nonresident Taxable Income on the **PA Schedule L** provided by the other estate or trust on Line 6.

**Line 7. Total Taxable Income.** Add Lines 1 through 6. You can not offset income and losses on these lines to calculate Line 7.

**Line 8. Deductions from PA Schedule DD.** Complete the **Distribution Deduction Schedule, PA Schedule DD**, to determine the allowable deductions for distribution made to beneficiaries of the estate or trust. The instructions for **PA Schedule DD** are on page 9.

**Line 9. Adjusted Taxable Income.** Subtract Line 8 from Line 7.

**Line 10. Total PA Tax Liability.** Multiply the amount on Line 9 by 2.8%. (0.028). This amount is the PA tax before adjustments for payments and credits.

**Line 11. 2001 Estimated Payments and Credits.** Enter on Line 11 the total of:

- Any credit carried over from the 2000 PA-41; **and**
- All 2001 installment payments of estimated tax; **and**
- Any payment made with a 2001 request for extension of time to file.

**Line 12. Total Credit for Taxes Paid by PA Resident Estates or Trusts to Other States or Countries.** PA resident estates or trusts having income subject to both the PA tax and the Fiduciary Income Tax of another state or country may claim a credit for all or a portion of the tax paid to the other state or country. Submit a signed photocopy of the tax return, or other evidence, filed in the other state or country with the **PA Schedule G**.

**IMPORTANT.** PA law does not provide rules that allow an estate or trust to pass through the Fiduciary Income Tax it pays to another state or country on behalf of its beneficiaries. Therefore, the estate or trust may adjust the income it reports on the **PA Schedules L** that it provides to its beneficiaries by the **amount of Fiduciary Income Tax that it paid** to another state or country on the income it distributes to its beneficiaries. The estate or trust **must** submit an explanation for its adjustment and the signed copy of the other state (country) tax return or other evidence of the tax due to the other jurisdiction.

**Line 13. Total Other Credits.** Enter the total allowable credits from Line 5, **PA Schedule OC**. The instructions for **PA Schedule OC** are on page 10.

**Line 14. 2001 Payments and Credits.** Add Lines 11, 12, and 13.

**Line 15. Tax Due.** If the amount on Line 10 is greater than Line 14, enter the tax due and pay in full with this return.

**Line 16. Overpayment.** If Line 14 is more than Line 10, enter the overpayment.

**Line 17. Refund.** For a refund of the amount on Line 16, enter that amount on Line 17.

**Line 18. Credit.** For a credit to the 2002 estimated account of the estate or trust, enter the amount from Line 16 on Line 18.

**IMPORTANT.** For a refund and a credit, enter the amounts on Lines 17 and 18. The total of Lines 17 and 18 must equal Line 16.

**Review the PA-41.** Check the **PA-41** carefully. Did you report all PA taxable income and losses, and claim all allowable credits? Also, check all entries for accuracy. An error will delay the processing of the **PA-41**.

**Math Check.** Double check all calculations before filing the PA-41.

**Resident Estate or Trust.** The Resident Taxable Income should equal the estate's or trust's distribution deductions on Line 15, **PA Schedule DD**.

**Nonresident Estate or Trust.** The Nonresident Taxable Income should equal the estate or trust's distribution deductions on Line 15 of **PA Schedule DD**.

**Signature and Verification.** Be sure to sign the **PA-41**. An unsigned **PA-41** is not a valid tax return. The signature on the **PA-41** verifies by written declaration, under penalties of perjury, that the fiduciary personally has examined the **PA-41**, and its accompanying schedules, and to the best of his or her knowledge, the **PA-41** is true, correct, and complete. If someone other than the fiduciary or officer representing the fiduciary prepared the **PA-41**, the preparer may enter his or her name, or the company name, and the telephone number on the return.

**How to Pay.** The estate or trust must pay the balance of tax due shown on the **PA-41** by April 15, 2002. Make the check or money order payable to **PA Dept. of Revenue**. The estate or trust must file a **PA-41** even if no payment is due. Do not staple the check to the **PA-V** or to the **PA-41**. Use the **PA-V** on the insert to make the payment with the **PA-41**. If the fiduciary does not have a preprinted **PA-V**, include the check with the **PA-41**, but do not staple the check to the **PA-41**.

**Bad Check.** If a financial institution returns a check unpaid, PA law imposes an additional charge equal to 10 percent of the amount of the payment. The minimum charge is \$25, and the maximum charge is \$500. This is in addition to pos-

sible criminal prosecution and other penalties and interest. This addition to tax is also subject to applicable penalty and interest. The estate or trust may also face possible criminal prosecution.

## MAILING INSTRUCTIONS

If there is **Tax Due** on Line 15 of the PA-41, mail the return, check, and **PA-V** to:

**PA DEPARTMENT OF REVENUE  
BUREAU OF IMAGING AND DOCUMENT MANAGEMENT  
DEPT. 280413  
HARRISBURG, PA 17128-0413**

If there is an **Overpayment** on Line 16 of the **PA-41**, mail the return to:

**PA DEPARTMENT OF REVENUE  
BUREAU OF INDIVIDUAL TAXES  
DEPT. 280505  
HARRISBURG, PA 17128-0505**

If there is **No Tax Due** or **Overpayment**, mail the **PA-41** to:

**PA DEPARTMENT OF REVENUE  
BUREAU OF INDIVIDUAL TAXES  
DEPT. 280506  
HARRISBURG, PA 17128-0506**

## SCHEDULE INSTRUCTIONS

Submit all required schedules. Enter the name of the estate or trust and its EIN, or the decedent's SSN, on all schedules.

### PA Schedules A and B

If the estate or trust has total taxable interest income of \$2,500 or less, report the income on Line 1 of the **PA-41**. If the estate or trust has total taxable dividend income of \$2,500 or less, report the dividend income on Line 2 of the **PA-41**. The Department does not require a schedule when the interest income and/or dividend income is less than \$2,500.

If the taxable interest income and/or dividend income is more than \$2,500, the Department allows these filing options:

1. If the federal and PA taxable income are the same, enter that amount on **PA Schedule A**, and/or **B**;
2. Submit a copy of the federal schedule from Form 1041, instead of submitting **PA Schedule A**, and/or **B**;
3. Complete **PA Schedule A**, and/or **B** with the payer name and PA taxable interest income and/or PA taxable dividend income from each Form 1099 or other statement.

The Department does not require the federal schedule with a **PA Schedule A**, and/or **B**.

**IMPORTANT.** Capital gain distributions are dividend income, not capital gains as for federal purposes.

### PA Schedule D.

You must use a PA Schedule D.

1. Columns a through f.
  - a) List and describe the property sold or otherwise disposed of for cash or other property.
  - b) Enter the month, day, and year acquired.
  - c) Enter the month, day, and year sold.
  - d) Enter the gross sales price or fair market value of cash and/or property received, less applicable expenses of sale.
  - e) Enter the Adjusted Basis of the property sold.
  - f) Determine whether the property was either I or II, and follow the appropriate instructions:
    - I If the property is income-producing property acquired as an investment, such as capital stock, an interest in a partnership or other business, a rental property, a patent or copyright, etc., or the estate or trust held the property in connection with a business, profession, or farm, and the property is not inventory or an operational asset:
      - Subtract Column (e) from Column (d) and enter the gain, loss, or zero in Column (f);



- II If the property was other than income-producing property:
    - If the Adjusted Basis is less than or equal to Column (d) enter the gain, or zero in Column (f);
    - If the Adjusted Basis is greater than Column (d), the estate or trust does not realize a loss. Enter zero in Column (f).
2. Add Column (f) and enter the total. Gains and losses may be offset to calculate this line.
  3. Enter the amount from **PA Schedule D-1**.
  4. Enter the total Return of Capital Distributions and subtract the amount of previously unrecovered basis.
  5. Enter the total amount from **PA Schedule D-71**, (Form **REV-1742**).
  6. Enter the total net gain or loss from all **PA Schedules RK-1** or **NRK-1** received as a partner or shareholder of PA S corporations.
  7. Add Lines 2 through 6. Also enter the result on Line 4 of the **PA-41**.

## PA Schedule DD

### 1a. Total Income from PA-41.

**Resident Estate or Trust.** Enter under Column A the income reportable from Line 7 of the **PA-41**.

**Nonresident Estate or Trust.** Enter under Column A the income that would have been reportable on Line 7 if it were a resident estate or trust. For the purposes of Line 1a, a nonresident estate or trust must compute its total income from sources both within and outside Pennsylvania.

### 1b. Nonresident Estate or Trust.

**Resident Estate or Trust.** Enter under Column B the amount that would be reportable on Line 7 if it were a nonresident estate or trust. For the purposes of Line 1b, a resident estate or trust must compute its total income in the same manner as a nonresident estate or trust.

2a. Enter under Column A the dollar amount of gross income which, pursuant to the terms of the governing instrument or under applicable law, is unconditionally required to be either retained, accumulated, or set aside for future distribution or disbursement or currently applied to discharge, satisfy, or reduce any person's legal obligations. Include in this line amounts from Line 16 that are permanently set aside for future distribution to a purely religious, charitable, scientific, literary, or educational organization.

2b. Enter under Column B the dollar amount of gross income allocable to Pennsylvania, which pursuant to the terms of the governing instrument or under applicable law is unconditionally required to be either retained, accumulated, or set aside for future distribution or disbursement or currently applied to discharge, satisfy or reduce any person's legal obligations. Include in this line amounts from Line 16 that are permanently set aside for future distribution to a purely religious, charitable, scientific, literary, or educational organization.

3a and 3b – Self-explanatory.

4a. Enter the amount of the estate or trust's nontaxable gross receipts for the taxable year that are both:

- Not required under laws applicable to the administration of estates or trusts or the governing instrument to be retained for future distribution or disbursement or to be currently applied to discharge, satisfy, or reduce any person's legal obligations; and
- Derived from the ownership or disposition of an obligation issued by the federal government, Pennsylvania or their instrumentalities (but only to the extent of the gain therefrom), or life insurance, annuity, and endowment contracts.

5a. **Add Lines 3a and 4a.** This is the amount of income available for distribution.

6a. **Divide Line 3a by Line 5a.** This is the percentage of the total taxable and nontaxable income available for distribution that represents distributable taxable income from all sources.

7b. **Divide Line 3b by Line 5a.** This is the percentage of the total taxable and nontaxable income available for distribution that represents distributable taxable income allocable to Pennsylvania.

**IMPORTANT.** If you are filing for an estate, enter zero on Lines 8a, 9a, and 10a and proceed to Line 11a.

8a. A trust enters the total of all amounts, if any, specifically required under the governing instrument to be distributed during the taxable year, whether actually distributed or not.

9a. A trust enters the total of all amounts, if any, specifically required under the governing instrument to be distributed during the taxable year that:

- Have been actually distributed; or
- Have not been actually distributed, but, under the governing instrument, are to be paid exclusively out of corpus.

10a. **Subtract Line 9a from Line 8a.** Total amount of undistributed income that the estate or trust must distribute currently.

11a. Estates or trusts enter the total dollar amount of cash distributions made to beneficiaries during the taxable year, exclusive of amounts properly paid out of corpus as a gift or bequest of a specific sum of money or required distributions in any prior taxable year.

12a. Estates or trusts enter the total market value of property distributions made to beneficiaries during the taxable year, exclusive of property distributed in kind as a gift or bequest of specific property.

13a. **Add Lines 10a, 11a, and 12a.** Total amount distributed/distributable by the estate or trust.

14a. and 14b - Self-explanatory

15. **Resident Estate or Trust.** Enter the lesser of Line 3a and Line 14a.

**Nonresident Estate or Trust.** Enter the lesser of Line 3b and Line 14b.

**Charitable Distribution Deduction – Special Instructions for Line 16.** An estate or trust qualifies for a charitable distribution deduction if it is unconditionally required under applicable law, or its governing instrument, to retain and permanently set aside all or a determinable part of its retained total income for the taxable year exclusively for the benefit of a purely religious, charitable, scientific, literary, or educational organization. This line contains only the portion of the income from Lines 2a, 2b, or both, that satisfies the conditions in the preceding sentence. No amount included on Lines 2a or 2b of **PA Schedule DD** will be considered to be permanently set aside, or to be used, exclusively for the benefit of such organizations unless, under applicable law, or the terms of its governing instrument and the circumstances of the particular case, the possibility that the amount set aside, or to be used, will not be disbursed, distributed, or used for the benefit of such an organization is so remote as to be negligible. For example, where there is a possibility of the invasion of corpus of a charitable remainder trust in order to make payment of the annuity amount or unitrust amount, the estate or trust may not take a deduction.

**Computation of Charitable Distribution Deduction.** If applicable law or governing instrument specifically provides the source from which the estate or trust shall set aside proceeds or receipts exclusively for charity, the amount of the charitable deduction is the amount which would be properly reported on Line 1a of **PA Schedule DD**, or Line 1b in the case of a nonresident trust or estate, where such receipts or proceeds are the only items of income for the year. Otherwise, the charitable deduction is that portion of the amount reported on Line 2a of **PA Schedule DD**, or Line 2b in the case of a nonresident estate or trust, which the amount actually retained, accumulated, and set aside for the taxable year exclusively for the benefit charity bears to the total amount actually retained, accumulated, and set aside for the taxable year.

16. **Resident Estate or Trust.** Enter the amount of taxable income included in Line 2a of **PA Schedule DD** for which a charitable distribution deduction is allowed.

**Nonresident Estate or Trust.** Enter the amount of taxable income included in Line 2b of **PA Schedule DD** for which a charitable distribution deduction is allowed.

17. **Total Deduction from PA Schedule DD.** Add Lines 15 and 16. Also enter the result here Line 8 of the **PA-41**.

## PA Schedule L

The estate or trust must submit with its **PA-41** a **PA Schedule L** that identifies all the beneficiaries. This **PA Schedule L** must also show the PA taxable income that the estate or trust distributed or was required to distribute to each beneficiary.

The estate or trust must also provide to each beneficiary a **PA Schedule L** showing only his/her/its share of the PA taxable income. The Department does not accept **Federal Schedule(s) K-1** because that schedule does not properly reflect the classified PA taxable income amounts.

Enter on **PA Schedule L**, the name, complete address, and identification number (EIN or SSN) of each beneficiary to whom the estate or trust made, or was required to make, a distribution during the taxable year, or to whom amounts were credited and payable during the taxable year. Follow **Steps 1, 2, and 3** below to compute and enter the amount of each beneficiary's Resident Taxable Income and Nonresident Taxable Income.

**Step 1.** Compute the total dollar amount of:

- Cash and property distributions actually made to the beneficiaries during the taxable year; and
- Undistributed amounts that are either credited and payable or required to be currently distributed to the beneficiary during the taxable year.

**IMPORTANT.** Do not take into account:

- Amounts that are properly paid out of corpus as a gift or bequest of a specific amount of money; or
- Amounts that were required to have been distributed in any prior taxable year; or
- The market value of property distributed in kind as a gift or bequest of specific property.

**Step 2.** To compute the beneficiary's Resident Taxable Income, multiply the amount computed in Step 1 by a fraction. The numerator is the lesser of Line 3a or Line 14a of **PA Schedule DD**. The denominator is Line 13a of **PA Schedule DD**.

**Step 3.** To compute the beneficiary's Nonresident Taxable Income, multiply the amount computed in Step 1 by a fraction. The numerator is the lesser of Line 3b or Line 14b of **PA Schedule DD**. The denominator is Line 13a of **PA Schedule DD**.

### PA Schedule OC

**Line 1. Employment Incentive Payments Credit.** Estates or trusts employing welfare recipients may be eligible for this credit. Submit a completed **PA Schedule W** with copies of the Certification Form from the PA Department of Labor and Industry for each employee. If a partner or a PA S corporation

shareholder, enter the credit amount from the **PA Schedules RK-1 or NRK-1** the estate or trust received.

**Line 2. Jobs Creation Tax Credit.** Enter the amount of approved credit from the PA Department of Community and Economic Development certification the estate or trust received. If a partner or a PA S corporation shareholder, enter the credit amount from the **PA Schedules RK-1 or NRK-1** the estate or trust received.

**Line 3. Research and Development Tax Credit.** Enter the amount from the PA Department of Revenue certification the estate or trust received. If a partner or a PA S corporation shareholder, enter the credit amount from the **PA Schedules RK-1 or NRK-1** the estate or trust received.

**Line 4. Total Allowable Credits.** Add Lines 1 through 3 and enter the total here and on Line 13 of the PA-41.

### PA Schedule I

Under certain conditions, Pennsylvania accepts the same amounts that you report on the 2001 Federal Form 1041. See the instructions for each income class. If you believe that the federal amounts reported on the Form 1041 are correct for PA purposes, obtain **PA Schedule I** from one of the **Forms Ordering Services** on page 2. If you use this schedule, you do not have to attach either a PA or federal schedule. The Department exchanges information with the Internal Revenue Service. **CAUTION.** *If the estate or trust is a shareholder in a PA S corporation or a partner in a partnership, you may not use PA Schedule I. You must provide the PA Schedule RK-1 or NRK-1. If you use PA Schedule I and subsequently amend the Form 1041, you must amend the PA-41.*

## PA Department of Revenue District Offices

**In Person** – The Department of Revenue and the IRS are again sponsoring joint offices where you can obtain Pennsylvania and federal tax assistance. See the list of district offices below, and call or visit the office nearest you.

**NOTE.** The location of a district office may change. Please call to verify the address.

Temporary Revenue District Offices – Each year the Department of Revenue establishes temporary offices to help taxpayers. Your local newspaper may list office locations. You may also find them on the Department's home page, or by calling the district office nearest you.

**Altoona**  
(Blair, Centre, Fulton,  
Huntingdon, and Mifflin)  
Ste. 204  
Cricket Field Plz.  
615 Howard Ave.  
Altoona, PA 16601-4867  
(814) 946-7310

**Bethlehem**  
(Lehigh and Northampton)  
44 E. Broad St.  
Bethlehem, PA 18018-5998  
(610) 861-2000

**Bradford**  
(Cameron, Elk, Forest,  
McKean, Potter, and Warren)  
Second Fl.  
86 Boylston St.  
Bradford, PA 16701-2011  
(814) 368-7113

**Doylestown**  
(Bucks)  
Ste. 104  
600 Louis Dr.  
Warminster, PA 18974-2847  
(215) 443-2990

**Erie**  
(Crawford and Erie)  
448 W. 11th St.  
Erie, PA 16501-1501  
(814) 871-4491

**Greensburg**  
(Westmoreland)  
Second Fl.  
15 W. Third St.  
Greensburg, PA 15601-3003  
(724) 832-5386

**Harrisburg**  
(Cumberland, Dauphin,  
and Perry)  
Lobby  
Strawberry Sq.  
Harrisburg, PA 17128-0101  
(717) 783-1405

**Indiana**  
(Armstrong, Clarion, Indiana,  
and Jefferson)  
Canterbury Office Stes.  
2263 Philadelphia St.  
Indiana, PA 15701-1595  
(724) 357-7600

**Johnstown**  
(Bedford, Cambria, Clearfield, and  
Somerset)  
Third Fl.  
345 Main St.  
Johnstown, PA 15901-1614  
(814) 533-2495

**Lancaster**  
(Lancaster and Lebanon)  
Ste. 201  
315 W. James St.  
Lancaster, PA 17603-2911  
(717) 299-7581

**New Castle**  
(Beaver, Butler, Lawrence,  
Mercer, and Venango)  
Rm. 201  
101 S. Mercer St.  
New Castle, PA 16101-3837  
(724) 656-3203

**Newtown Square**  
(Chester and Delaware)  
Ste. 1  
90 S. Newtown St. Rd.  
(Route 252)  
Newtown Square, PA 19073-4090  
(610) 353-4051

**Norristown**  
(Montgomery)  
Second Fl.  
Stoney Creek Office Center  
151 W. Marshall St.  
Norristown, PA 19401-4739  
(610) 270-1780

**Philadelphia**  
(Philadelphia)  
Rm. 201  
State Office Bldg.  
1400 W. Spring Garden St.  
Philadelphia, PA 19130-4088  
(215) 560-2056

**Pittsburgh**  
(Allegheny)  
Rm. 104  
State Office Bldg.  
300 Liberty Ave.  
Pittsburgh, PA 15222-1210  
(412) 565-7540

**Pottsville**  
(Carbon and Schuylkill)  
115 S. Centre St.  
Pottsville, PA 17901-3047  
(570) 621-3175

**Reading**  
(Berks)  
Rm. 239  
625 Cherry St.  
Reading, PA 19602-1186  
(610) 378-4401

**Scranton**  
(Lackawanna, Monroe, Pike,  
Susquehanna, and Wayne)  
Rm. 305  
Samters Bldg.  
101 Penn Ave.  
Scranton, PA 18503-1970  
(570) 963-4585

**Sunbury**  
(Columbia, Juniata, Montour,  
Northumberland, Snyder,  
and Union)  
535 Chestnut St.  
Sunbury, PA 17801-2834  
(570) 988-5520

**Washington**  
(Fayette, Greene, and  
Washington)  
Rm. 204  
Landmark Bldg.  
75 E. Maiden St.  
Washington, PA 15301-4963  
(724) 223-4550

**Wilkes-Barre**  
(Luzerne and Wyoming)  
Ste. 201  
Thomas C. Thomas Bldg.  
100 E. Union St.  
Wilkes-Barre, PA 18701-3200  
(570) 826-2466

**Williamsport**  
(Bradford, Clinton, Lycoming,  
Sullivan, and Tioga)  
440 Little League Blvd.  
Williamsport, PA 17701-5055  
(570) 327-3475

**York**  
(Adams, Franklin, and York)  
140 N. Duke St.  
York, PA 17401-1110  
(717) 845-6661

# PA School Districts & Codes By County

SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE	SCHOOL DISTRICT	CODE
<b>ADAMS</b>		<b>BERKS</b>		Palmerton Area	13650	Middletown Area	22600
Bermudian Springs	.01110	Antietam	.06050	Panther Valley	13660	Millersburg Area	22610
Conewago Valley	.01160	Boyetown Area	.06075	Weatherly Area	13900	Steelton Highspire	22800
Fairfield Area	.01305	Brandywine Heights Area	.06085	<b>CENTRE</b>		Susquehanna Township	22830
Gettysburg Area	.01375	Conrad Weiser Area	.06110	Bald Eagle Area	14100	Susquenita	50600
Littlestown Area	.01520	Daniel Boone Area	.06150	Bellefonte Area	14110	Upper Dauphin Area	22900
Upper Adams	.01852	Exeter Township	.06200	Keystone Central	18360	Williams Valley	54880
<b>ALLEGHENY</b>		Fleetwood Area	.06250	Penns Valley Area	14700	<b>DELAWARE</b>	
Allegheny Valley	.02060	Governor Mifflin	.06300	Philipsburg-Osceola Area	17700	Chester Upland	23123
Avonworth	.02075	Hamburg Area	.06350	State College Area	14800	Chichester	23130
Baldwin Whitehall	.02110	Kutztown Area	.06400	Tyrone Area	07800	Garnet Valley	23410
Bethel Park	.02125	Muhlenberg Township	.06550	<b>CHESTER</b>		Haverford Township	23450
Brentwood Borough	.02145	Oley Valley	.06650	Avon Grove	15050	Interboro	23510
Carlynton	.02160	Reading	.06700	Coatesville Area	15190	Marple Newtown	23550
Chartiers Valley	.02175	Schuylkill Valley	.06750	Downingtown Area	15200	Penn-Delco	23690
Clairton City	.02190	Tulpehocken Area	.06800	Great Valley	15350	Radnor Township	23760
Cornell	.02210	Twin Valley	.06810	Kennett Consolidated	15400	Ridley	23770
Deer Lakes	.02225	Upper Perkiomen	.46860	Octorara Area	15650	Rose Tree Media	23790
Duquesne City	.02250	Wilson	.06910	Owen J. Roberts	15660	Southeast Delco	23840
East Allegheny	.02280	Wyomissing	.06935	Oxford Area	15670	Springfield	23850
Elizabeth Forward	.02315	<b>BLAIR</b>		Phoenixville Area	15720	Unionville-Chadds Ford	15850
Fort Cherry	.63240	Altoona Area	.07050	Spring Ford Area	46730	Upper Darby	23945
Fox Chapel Area	.02391	Bellwood Antis	.07100	Tredyffrin Easttown	15780	Wallingford Swarthmore	23960
Gateway	.02410	Claysburg-Kimmel	.07150	Twin Valley	.06810	West Chester Area	15900
Hampton Township	.02460	Holidaysburg Area	.07350	Unionville-Chadds Ford	15850	William Penn	23965
Highlands	.02475	Spring Cove	.07750	West Chester Area	15900	<b>ELK</b>	
Keystone Oaks	.02500	Tyrone Area	.07800	<b>CLARION</b>		Brockway Area	33070
McKeesport Area	.02600	Williamsburg Community	.07900	Allegheny Clarion Valley	16030	Forest Area	27200
Montour	.02630	<b>BRADFORD</b>		Armstrong	03085	Johnsboro Area	24350
Moon Area	.02634	Athens Area	.08050	Clarion Area	16120	Kane Area	42230
Mount Lebanon	.02640	Canton Area	.08100	Clarion-Limestone Area	16170	Ridgway Area	24600
North Allegheny	.02685	Northeast Bradford County	.08300	Keystone	16650	Saint Marys Area	24800
Northgate	.02687	Sayre Area	.08600	North Clarion County	16750	<b>ERIE</b>	
North Hills	.02690	Towanda Area	.08650	Redbank Valley	16800	Corry Area	25145
Penn Hills	.02735	Troy Area	.08665	Union	16900	Erie City	25260
Penn-Trafford	65710	Wyalusing Area	.08900	<b>CLEARFIELD</b>		Fairview	25330
Pine-Richland	.02100	<b>BUCKS</b>		Clearfield Area	17100	Fort Leboeuf	25355
Pittsburgh	.02745	Bensalem Township	.09100	Curwensville Area	17180	General McLane	25390
Plum Borough	.02750	Bristol Borough	.09130	Dubois Area	17200	Girard	25405
Quaker Valley	.02775	Bristol Township	.09135	Glendale	17300	Harbor Creek	25435
Riverview	.02820	Centennial	.09200	Harmony Area	17350	Iroquois	25655
Shaler Area	.02830	Central Bucks	.09210	Moshannon Valley	17500	Millcreek Township	25760
South Allegheny	.02865	Council Rock	.09235	Philipsburg-Osceola Area	17700	North East	25830
South Fayette Township	.02870	Easton Area	48330	Purchase Line	32730	Northwestern	25850
South Park	.02875	Morrisville Borough	.09720	West Branch Area	17900	Union City Area	25910
Steel Valley	.02883	Neshaminy	.09750	<b>CLINTON</b>		Wattsburg Area	25970
Sto Rox	.02885	New Hope Solebury	.09760	Jersey Shore Area	41400	<b>FAYETTE</b>	
Upper Saint Clair Township	.02920	North Penn	46570	Keystone Central	18360	Albert Gallatin Area	26030
West Allegheny	.02940	Palisades	.09800	West Branch Area	17900	Belle Vernon Area	65060
West Jefferson Hills	.02955	Pennridge	.09810	<b>COLUMBIA</b>		Brownsville Area	26080
West Mifflin Area	.02960	Pennsbury	.09820	Benton Area	19100	Connellsville Area	26130
Wilkinsburg Borough	.02980	Quakertown Community	.09840	Berwick Area	19110	Frazier	26290
Woodland Hills	.02990	Souderton Area	46710	Bloomsburg Area	19120	Laurel Highlands	26400
<b>ARMSTRONG</b>		<b>BUTLER</b>		Central Columbia	19150	Southmoreland	65750
Allegheny Clarion Valley	16030	Allegheny Clarion Valley	16030	Millville Area	19500	Uniontown Area	26800
Apollo-Ridge	03060	Butler Area	10125	Mount Carmel Area	49510	<b>FOREST</b>	
Armstrong	03085	Freeport Area	03305	North Schuylkill	54500	Forest Area	27200
Freeport Area	03305	Karns City Area	10360	Southern Columbia Area	19750	<b>FRANKLIN</b>	
Karns City Area	10360	Mars Area	10500	<b>CRAWFORD</b>		Chambersburg Area	28130
Kiski Area	65440	Moniteau	10535	Conneaut	20103	Fannett-Metal	28200
Leechburg Area	03450	Seneca Valley	10790	Corry Area	25145	Greencastle-Antrim	28300
Redbank Valley	16800	Slippery Rock Area	10750	Crawford Central	20135	Shippensburg Area	21800
<b>BEAVER</b>		South Butler County	10780	Jamestown Area	43360	Tuscarora	28600
Aliquippa Borough	04050	<b>CAMBRIA</b>		Penncrest	20470	Waynesboro Area	28900
Ambridge Area	04070	Blacklick Valley	11060	Titusville Area	61720	<b>FULTON</b>	
Beaver Area	04120	Cambria Heights	11120	Union City Area	25910	Central Fulton	29130
Big Beaver Falls Area	04150	Central Cambria	11130	<b>CUMBERLAND</b>		Forbes Road	29230
Blackhawk	04160	Conemaugh Valley	11140	Big Spring	21050	Southern Fulton	29750
Center Area	04190	Ferndale Area	11200	Camp Hill	21100	<b>GREENE</b>	
Ellwood City Area	37200	Forest Hills	11220	Carlisle Area	21110	Carmichaels Area	30130
Freedom Area	04285	Glendale	17300	Cumberland Valley	21160	Central Greene	30140
Hopewell Area	04410	Greater Johnstown	11250	East Pennsboro Area	21250	Jefferson-Morgan	30350
Midland Borough	04530	Northern Cambria	11450	Mechanicsburg Area	21650	Southeastern Greene	30650
Monaca	04545	Penn Cambria	11600	Shippensburg Area	21800	West Greene	30850
New Brighton Area	04565	Portage Area	11630	South Middleton	21830	<b>HUNTINGDON</b>	
Riverside Beaver County	04585	Richland	11650	West Shore	21900	Huntingdon Area	31250
Rochester Area	04690	Westmont Hilltop	11850	<b>DAUPHIN</b>		Juniata Valley	31280
South Side Area	04740	Windber Area	56910	Derry Township	22175	Mount Union Area	31600
Western Beaver County	04930	<b>CAMERON</b>		Halifax Area	22250	Southern Huntingdon County	31750
<b>BEDFORD</b>		Cameron County	12270	Harrisburg City	22275	Tussey Mountain	05800
Bedford Area	05100	<b>CARBON</b>		Lower Dauphin	22400	Tyrone Area	07800
Chestnut Ridge	05150	Hazleton Area	40330	<b>DAUPHIN</b>		<b>GREENE</b>	
Claysburg-Kimmel	07150	Jim Thorpe Area	13500	Central Dauphin	22140	Carmichaels Area	30130
Everett Area	05300	Lehigh Area	13550	Derry Township	22175	Central Greene	30140
Northern Bedford County	05600	<b>CLARION</b>		Halifax Area	22250	Jefferson-Morgan	30350
Tussey Mountain	05800	Allegheny Clarion Valley	16030	Harrisburg City	22275	Southeastern Greene	30650
		Butler Area	10125	Lower Dauphin	22400	West Greene	30850
		Freeport Area	03305				
		Karns City Area	10360				
		Mars Area	10500				
		Moniteau	10535				
		Seneca Valley	10790				
		Slippery Rock Area	10750				
		South Butler County	10780				
		<b>CAMBRIA</b>					
		Blacklick Valley	11060				
		Cambria Heights	11120				
		Central Cambria	11130				
		Conemaugh Valley	11140				
		Ferndale Area	11200				
		Forest Hills	11220				
		Glendale	17300				
		Greater Johnstown	11250				
		Northern Cambria	11450				
		Penn Cambria	11600				
		Portage Area	11630				
		Richland	11650				
		Westmont Hilltop	11850				
		Windber Area	56910				
		<b>CAMERON</b>					
		Cameron County	12270				
		<b>CARBON</b>					
		Hazleton Area	40330				
		Jim Thorpe Area	13500				
		Lehigh Area	13550				

